



The Insider

www.senate.mi.gov/switalski

Inside State Politics with State Senator Mickey Switalski Senate District 10

August 20, 2004

Welcome to the electronic version of *The Insider*. I would like to take the opportunity to thank you for your support and for giving me an opportunity to represent you in the Michigan Senate. It is my sincere hope that this bi-weekly e-newsletter will keep you informed of the happenings in Lansing while staying true to the traditional style of *The Insider*. If you would like to contact me, please feel free to e-mail me at senmswitalski@senate.michigan.gov or call me at my Roseville or Lansing office. You can also meet me in person during my constituent hours, coming to a library near you. Call my office and make an appointment or just walk in. See schedule for details.

Electric Deregulation Bills To be Discussed

A Michigan Senate panel is expected to consider a package of bills that would overhaul Michigan's 2000 electric deregulation law next week.

After numerous hearings and testimony, several Senate members introduced six bills (Senate Bills 1331, 1332, 1333, 1334, 1335 and 1336) that would amend Public Act 141 of 2000 in early July. With budget negotiations progressing forward, a committee hearing on these bills has been scheduled in the Senate Energy and Technology Committee on Wednesday, August 25.

PA 141 of 2000 was enacted to give Michigan's residential and business customers the option of choosing a supplier of electric power. The prevailing thought at the time was that more choice in the electric industry would translate into lower rates for utility customers, and that lower rates would help foster economic growth in Michigan.

Specifically, PA 141 was enacted to do the following:

- *ensure that all electric power retail customers in this state have a choice of electric suppliers
- *allow and encourage the Michigan Public Service Commission (MPSC) to foster competition in this state in the provision of electric supply and maintain regulation of electric supply for customers who continue to choose supply from incumbent electric utilities
- *encourage the development and construction of merchant plants which will diversify the ownership of electric generation in this state
- *ensure that all persons in this state are afforded safe, reliable electric power at a reasonable rate
- *improve the opportunities for economic development in this state and to promote financially healthy and competitive utilities in this state.

As a member of the House in 2000, I had misgivings about PA 141. I voted against it, but it garnered a majority and was passed into law.

PA 141 of 2000 took effect on January 1, 2002; since that time there have been mixed feelings about whether the desired results have been achieved. While electric choice is a reality for many large industrial and commercial customers, there is hardly any choice for residential customers. Currently, a rate freeze is in effect until January 1, 2006, which protects residential customers from high rates.

However, some large utilities contend that certain aspects of PA 141 make them susceptible to "cherry-picking" by alternative electric suppliers (i.e., profitable industrial and commercial customers are being wooed away with lower prices), and that when the rate freeze expires, this will translate into higher residential rates. These utilities also contend that they are losing out on stranded costs, which are costs that were invested by the utility in equipment and infrastructure and have not been recovered as a result of electric deregulation. Others argue that this is not actually the case. Some feel that the Act has not been in effect long enough to be able to accurately gauge its success or failure, and that more time is needed before any restructuring takes place. They also argue that any change to the act would hurt competition and raise electric rates.

SB 1331 would allow all electric customers who have gone to an alternative energy supplier to return to a utility under regulated rates by December 31, 2005. If a customer does not return by that date, the customer would have to pay the market rates, which could be higher than regulated rates and could fluctuate over time.

In addition, the bill would also "de-skew" rates over a 10-year period. Currently, large industrial and commercial customers pay between 110-120% of their true cost of service, effectively subsidizing residential customers, who pay between 70-80% of the true cost of service. To remedy this, the rates would gradually be de-skewed with residential customers paying for their true cost of service.

SB 1332 would require all electric suppliers in Michigan to maintain a power reserve margin of 15% to provide greater protection against blackouts or plant failures. The bill also establishes minimum financial adequacy standards for electric suppliers.

SB 1333 would authorize the Public Service Commission to approve a surcharge to finance the Low Income and Energy Efficiency Fund for low income residents while SB 1334 would provide a discounted rate to schools.

SB 1335 and SB 1336 would allow the Public Service Commission to approve a surcharge that would finance environmental compliance costs for utilities and would authorize the Public Service Commission to levy a surcharge to the bill of a customer to cover the costs of air pollution and other environmental compliance costs.

While these bills are in committee, I will closely following the arguments that are presented by both sides of this complex issue. I will weigh the pros and cons of each of these bills carefully and work to ensure that a fair and equitable compromise is reached which ensures low residential rates and allows Michigan to remain economically competitive and desirable for businesses to locate within.

For future updates on the electric restructuring legislation, please check out future editions of the Insider E-Newsletter.

Budget Agreement Close but Elusive

The legislature is scheduled to return to Lansing on Wednesday where it will possibly be working on placing the finishing touches for the 2004-05 fiscal year budget that is set to begin on October 1st.

During the two week lull, negotiations took place between administration officials, legislative leaders and appropriations committee chairs. Progress was reported during the negotiations with talks breaking off for the week of August 16th as several legislators were out of town.

Some of the items under contention include what types of budget cuts to make and where, as well as what inflation rate to use for Governor Granholm's pledge to restore funding to universities that hold tuition increases to the rate of inflation.

Budget negotiations are expected to start back up on August 23rd. If an agreement is not reached, it is possible that session could be canceled and reschedule for mid-September.

Mickey's TV Insider Show

Check out my TV Insider Show coming to a television station near you. Watch me interview local guests about politics, life, issues and concerns to our district.

Sterling Heights

Every Saturday and Sunday at 12:30 p.m.
(Comcast Channel 5/WOW Channel 10)

Utica

Every Wednesday at 9 a.m.
(Comcast Channel 5/WOW Channel 10)

Clinton Township

Last week of every month- Sat thru Thurs
(Comcast Channel 5/WOW Channel 10)

Roseville

Every other Tuesday at 6:05 p.m.
(Comcast Channel 18)

*Please note that Sterling Heights/Utica/Clinton Township will show the TV Insider Show on Comcast Channel 5 and Wide Open West Channel 10. Clinton Township will air the TV Insider Show at various times during the last week of every month. Roseville can see the TV Insider Show on Comcast Channel 18.

Coffee Hours

*Please note that since the District Office is in Roseville, I do not have set coffee hours in Roseville. However, I encourage you to visit the Roseville office. We even have a coffee pot. Everyone is welcome to attend the coffee hours and discuss their issues and concerns.

Aug. 30
7-9 p.m.

Location: Clinton- Macomb Public Library
(40900 Romeo Plank, south of Canal)

Sept. 13
7-9 P.M.

Location: Sterling Heights Public Library
(40255 Dodge Park)

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